

Tax Payment and Administration

AAT Level III Corporate & Personal Taxation (CPT)

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Taxation

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Tax payment and Administration

- **Tax payment**
- 1 . Self assessment tax payment.
- 2. With Holding Tax payments (WHT).
- 3. Final Tax payment (Final with holding payment)
- 4. Balance settlement

Tax Payments

- **Self assessment tax payment scheme.**
- This is one method of settling tax due during the year.
- Estimate the current year tax and calculate quarterly payment as follows.
- $(A - C) / B$
- A = Estimated tax liability.
- B = Number of installment due
- C = Available tax credit or installment paid

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Tax Payments

- **Payment due date.**

Quarter	Quarter ending	Due date
1	30/6/20..	15/8/20..
2	30/9/20..	15/11/20..
3	31/12/20..	15/2/20..
4	31/3/20..	15/5/20..

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Tax Payments

- Example; estimated income tax liability for 2019/2020 Rs.450,000/=.
- Find out first quarter self assessment tax and due date to pay?
- If the end of second quarter tax credit is Rs.300,000/=. Find out third quarter tax due and state the due date?

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Tax Payments

- **Consequences of non compliance.**
- Penalty.
- Assessment.

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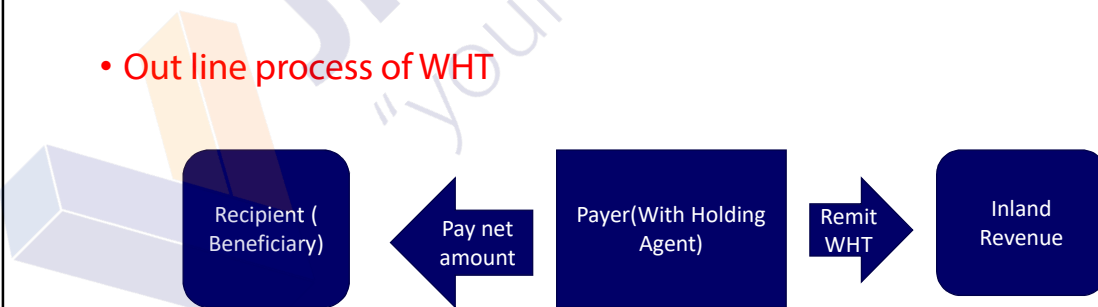
Tax Payments

- **With Holding Tax payment (Scheme) S.83,84,85**
- In this method at the time of making prescribed payments the payer (with holding agent) shall with hold the tax as prescribed and remit to the Inland Revenue Department on or before the due dates. Example ; salary payment, Rent payment, Interest payments, Dividend payment etc.
- In the event payer does this process the income recipient will be benefited. His gross income will consider for tax purpose and simultaneously ,with holding tax deducted will be a tax credit or final with holding.

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Tax Payments

- **Out line process of WHT**



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Tax Payments

- **Obligations of With Holding Agent (Payer)**
- 1. Deduct with holding tax on making of prescribed payment .Ex: Salary , Rent etc.
- 2. Deduct WHT as per the rules and rates prescribed by IR Act.
- 3. Remit such tax to the IRD on or before 15th day of next month.
- 4. Keep proper records and submit WHT tax return within the due date to the IRD. Within 30 days at end of the year.
- 5. Issue tax deduction certificates to the recipients on or before due dates. Within 30 days at end of relevant tax period.

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Tax Payments

- **Consequences of non compliance**
- 1. With holding agent him self liable to pay such tax.
- 2. Penalty will be imposed on WHT agent.
- 3. WHT agent (Payer) will be disallowed to deduct such payment in the event he does not adhere to above obligation.(Section 10.)

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Tax Payments

- Application of WHT system.

Payment	WHT Agent	Tax to be deducted	Remarks
Salary	Employer	As per tax table. Over monthly salary of Rs.100,000	W.E.F. 1/1/2020 monthly salary over Rs.250,000
Interest	Bank or Financial Provider	5%	Removed w.e.f 1/1/2020
Dividend	Company	14%	Removed w.e.f. 1/1/2020
Rent	Company	10%	Removed w.e.f. 1/1/2020
Fees (Lecture) etc	Company	Over monthly payment of Rs 50,000 -5%	Removed w.e.f. 1/1/2020
Lottery wins	Organizer Such as NLB.DLB etc	Over lottery wins of Rs .500,000/= - 14%	
Gem Sales	Gem and Jewelry Authority	2.5%	

Tax Payments

- Implication of WHT deduction in the hand of recipient.

Income subject to WHT	Tax impact
Salary	Tax credit
Interest	Final WHT on individual and Tax credit for companies
Dividend	Final WHT payment
Rent	Tax credit
Fees	Tax credit
Lottery win	Final WHT payment
Gem sales made through G&J Authority	Final WHT payment

Tax Payments

- **Final Tax Payments.**

- In some circumstances WHT deducted and thereby such income will be a final tax paid income in the hand of recipient.
- Interest subject to WHT in the hand of individual.
- Dividend subject to WHT in the hand of any person.
- Lottery win subject WHT in the hand of any person.
- Gem sales through G&J authority in the hand of any person.

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Tax Payments

- **Balance tax settlement.**

- Any outstanding tax to be settled on or before 30th September of next year of assessment. Example; For year of assessment 2019/2020 any outstanding tax to be settled on or before 30/09/2020.

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Income Tax Administration

- Tax Return.
- Assessments.
- Appeal procedure.
- Default Tax Recovery by IRD.
- Refund.
- Penalty Regime.

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Income Tax Administration

- **Tax Return**
- **Duly completed** tax return to be submitted to IRD on or before 30th November of next year of assessment. Example: For year of assessment 2019/2020 the return to be submitted on or before 30/11/2020.
- Effect of non compliance
- 1. Penalty. For non submission not less than Rs.50,000/=
- 2. Assessment.
- 3. Time Bar will be lifted.

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Income Tax Administration

- **Assessments.**

- IRD will issue assessment notice on following grounds.
- Failure to submit return.
- Return deemed non submission.
- Failure to settle tax due and delay the payments.

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Income Tax Administration

- **Type of Assessments issued by IRD.**

- 1. Default assessment.
- 2. Advanced assessment.
- 3. Ammend or Additional assessment.

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Income Tax Administration

- **Appeal Procedure.**
- Appeal to be made within 30 days of assessment notice.
- Appeal to be directed to Commissioner of Inland Revenue
- Appeal to be supported by valid grounds.
- It should be a written petition of appeal.
- Tax payer himself or his authorized agent shall submit the appeal.

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Income Tax Administration

- **Appeal within 30 days will be extended by CGIR in his capacity on satisfaction of,**
- 1. Tax payer was not in the country.
- 2. Due to natural disasters.
- 3. Any other acceptable reason.

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Income Tax Administration

- **Appeal determination process.**
- Appeal to CGIR and review by deputy commissioner and again by CGIR.
- If determination not accepted by tax payer can appeal to Tax Appeal Commission.
- If determination not accepted by tax payer can proceed to appeal court.
- If determination their not accepted can proceed to supreme court.

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Income Tax Administration

- **Default Tax Recovery by IRD.**
- Following steps will be taken by IRD to collect default tax.
- 1. Issue default tax notice within 5 years.
- 2.Recovery through employer in the event employee default.
- 3.Recover through debtors in the event vendor default.
- 4.With hold accounts and transfer the balance including joint accounts.
- 5.Seizure of property and recovery through disposal.

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Income Tax Administration

- 6.Recover through trustee or liquidator.
- 7.Prevent leaving from country.
- 8. File a case in a competent court to recover default tax

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Income Tax Administration

- **Refund Procedure.**
- In the event tax payer has refund amount from IRD, it shall claim within 4 years from refund is due.
- The claim in following manner.
 - 1. Correctly indicating in the tax return.
 - 2.Ammending the return
 - 3. In providing written claim within three years.

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Income Tax Administration

- **Penalty Regime.**

- Non submission of return not less than 50,000/= and Rs. 10,000/= per delay in month. (Maximum penalty will be Rs. 400,000/=)
- Delay in self assessment installment 10% on default tax or un paid tax.
- Delay in assessment tax 20% on default tax or un paid tax.

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